

LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
301 State House
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FISCAL IMPACT STATEMENT

LS 8164

BILL NUMBER: HB 1802

DATE PREPARED: Jan 27, 1999

BILL AMENDED:

SUBJECT: Martinsville food and beverage tax.

FISCAL ANALYST: Brian Tabor

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FUNDS AFFECTED:

**GENERAL
DEDICATED
FEDERAL**

IMPACT: Local

Summary of Legislation: This bill permits Martinsville to impose a 1% food and beverage tax for city hall improvements, police and fire station construction, sanitary sewer and wastewater facility improvements, and storm sewer drainage improvements.

Effective Date: July 1, 1999.

Explanation of State Expenditures: The Department of Revenue's (DOR's) costs for administration, audit, and collection of food and beverage taxes are approximately \$0.51 for every \$100 collected. The DOR's current resources are sufficient to absorb the additional costs associated with this proposal.

Explanation of State Revenues:

Explanation of Local Expenditures: If a tax is adopted under this bill, the fiscal body of Martinsville must establish a food and beverage tax receipts fund. The expenditures required to establish this fund are not expected to be significant.

Explanation of Local Revenues: This bill establishes a 1% tax on food and beverages prepared and served for sale in the city of Martinsville in Morgan County. Revenue from this tax would be used exclusively for renovating the city hall, constructing new police or fire stations, and improving the city's sanitary sewers, wastewater facilities, or storm water drainage systems.

The town of Mooresville, also located in Morgan County, currently imposes a 1% food and beverage tax. Revenue from this tax totaled \$231,163 in FY 1997 and \$251,978 in FY 1998. According to recent US Census estimates (July 1, 1996), the population of Martinsville is about 62% greater than that of Mooresville. In addition, information from the Morgan County Department of Health shows that there are approximately 55 restaurants and 25 grocery stores in Martinsville compared with 40 restaurants and 15 groceries in Mooresville (sales of prepared deli items sold in grocery stores are subject to the food and beverage tax). Based on this general comparison, it is likely that a 1% food and beverage tax in Martinsville would generate at least as much as is currently collected in Mooresville.

Due to the effective date of July 1, 1999, the city would likely collect taxes only on food and beverage sales for the fourth quarter of the city's fiscal year. The actual expected impact for CY 1999 would be one-fourth of any annual projection.

State Agencies Affected: Department of Revenue.

Local Agencies Affected: Fiscal body of Martinsville.

Information Sources: Morgan County Health Department; Department of Revenue, year-end sales tax collections.